



A STUDY ON PURPOSE OF GOLD LOANS

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ABSTRACT

The present study's aim is to find out the purpose of borrowing gold loan through primary data which was collected by questionnaire in the backward district of Andhra Pradesh. At present gold loans will be offered from public, private, and co-operative banks, this present study based on the purpose of gold loan, in Andhra Pradesh the backward the district is Vizianagaram in this area to create awareness to householders regarding gold loans and its purpose through my the research study, in this study 400 samples were taken in all areas of this district, The study also identifies the various demographic factors like gender, age, income level, Occupation, and educational background of the borrowers which have an impact in opting for availing gold loan.

KEYWORDS: *Demographic Profile, Banks, Gold loans and Non-Banking financial institutes,*

JEL Code: J1, G4, G40, R2

INTRODUCTION

The respondents were shoppers from different chose gold adornments outlets in and furthermore the degree of mindfulness and the overall mentality of customers towards gold as speculation. Gold is uncommon among metals. Yet, it very well may be seen all over the place, from adornments to innovation. Not at all like some other metals some of the time gold, the sparkly valuable yellow metal makes some enthusiastic connections among individuals. Gold likewise plays an enormous situation in the economy of a nation. Private Investments and all the more as of late Central Bank Net Purchases, represent an extra 39 percent request. Many gold mines work over the world extending in scale from minor to colossal. As of now, the worldwide gold mine creation is generally steady. In the course of the most recent five years, the gracefully from gold mine creation has arrived at the midpoint of to 2,690 tons for every year. The year 2012, has seen colossal shout over the gold cost and buys by people in general. The offer of coins by Banks has additionally been viewed as against the public premium. Studies show that worldwide gold interest is essential for making adornments, as speculation or for innovation. Among them, 'Gold as adornments' has the most appeal; roughly 50 percent. Private Investments and all the more as of late Central Bank Net Purchases, represent an extra 39 percent request. Applications in innovation and different sorts of manufacture, for example, utilization of gold in gadgets, prescriptions, dentistry, and so on establish the staying 11 percent.

LOANS AGAINST GOLD

The most unmistakable mode that adapts gold is the gold adornments loan portion. As Indians own enormous amounts of gold jewellery, the loan against gold bodes well. The gold loan portion opens the shrouded monetary estimation of the current load of physical gold, which is in any case lying inert. It is an extremely helpful idea of changing over the physical reserve funds into money. In India, an enormous number of banks and NBFCs are expanding loans against the pre-owned gold gems and adornments at a particular loan to esteem proportion. There are cut off all explanations behind this sharp upward pattern in gold loans lately. It is an advantageous instrument for raising loans. Besides, adaptability of loan choices, liberal Loan to Value Ratio, simple to adjust documentation prompted extension of gold loans and geological development of gold loan organizations likewise encouraged the loan conveyance. The size of gold loans demonstrated an upward pattern due to cost increment of the gold and restricted accessibility of retail and individual loans from banks.

REVIEW OF LITERATURE

Richard Heaney, Nicholas Wai, and Julie K. propose supporting can lessen the expense of obligation yet it has little effect if the executives aren't focused on embracing the guaranteed supporting arrangement. The understood fence in gold loans submits the board to supporting thus more prominent influence is normal for makers receiving gold loans. Results from the investigation are steady



with this theory. This paper tests the theory that gold makers show a more noteworthy influence where gold loans are utilized. As the decision of gold makers and the investigation time frame basically keep away from obligation charge shield impacts, the paper centres around data asymmetry and organization cost clarifications for influence.

Harini Subramani in his article "Gold loan: An all the more valuable obligation choice" features that, If you have gold gems to bring to the table as insurance for an individual loan, procedural issues are negligible and banks don't check your FICO assessment. The measure of documentation and the unreasonable confirmations before your own loan gets prepared can be a bad dream. Here is the place your gems can assist, explicitly gold.

Roong-ta, CEO, (Apnapaisa.com). With the current financing cost changes, choosing a gold loan as against an individual loan is more worthwhile. Not exclusively are your general costs diminished, this will spare a great deal of your time. "One of the significant focal points is that the loan is handled very quickly, inside hours, even minutes at certain banks, with negligible documentation," The Credit Information Bureau (India) Ltd scores which mirror a person's financial record are starting to assume a significant part in procuring individual loans. In any case, a gold loan re-quires no such score. While the imperative archives for a gem loan contrast across banks, most ordinarily require close to a proof of pay or address.

STATEMENT OF THE PROBLEM

The issue looked by the individuals is the blasting cost for even high a typical living of humankind the necessities additionally in-wrinkled by the interest of gold likewise increments. The speculation done in gold is going about as future liquidity purposes moreover. There are different explanations behind the expansion of gold loan viz. Increment of NBFC's in India, Agricultural workers, and ranchers have been progressively profiting gold loans for their occasional credit necessities. The expansion in strategy rate climbs, the agony in the micro account part, tightened accessibility of retail individual al loans from banks likewise could have added to the rap-id increment in the interest of gold loans lately. The fast ascent of volume in exchanges

has likewise seen ascend in client objections. The sensational development of the gold loan business harmonized with enormous imports of gold, huge scope financing of NBFCs by banks makes fear that general fundamental dependability is undermined. So that is the issue or the purpose behind the investigation.

OBJECTIVES OF THE STUDY

- To know purpose of gold loans of the respondents in Vizianagaram district.

RESEARCH METHODOLOGY

Plans of Data Collection:

The study was done in Vizianagaram City the data required for the study has been gathered by creating and administrating an organized poll and same has been examined by utilizing SPSS, while the Chi-square test has been utilized explicitly.

Sample Frame:

Test outline for this study are the clients of Non-Banking Financial organizations that profit gold loan for the period. The Sampling components were the individual respondents. The respondents were approached to check their reactions on different elements like purpose of loan, explanations behind benefiting gold loan, and so forth.,

Sample Size and Sampling Technique:

The study covers 400 clients by utilizing helpful inspecting strategies have been utilized to gather the data. The data so gathered from the essential source are broke down by utilizing the Statistical Package for Social Science [SPSS].

Area and Period of the Study:

The study is done to discover the reasons, encounters, and the degree of client's mindfulness and fulfilment level and the study covers a period from January 2019 to December 2019.

Limitations of the Study:

The study doesn't cover the whole populace of People profiting Gold Loan, because of the restriction of time and assets. The aftereffects of the examination depend on the data about the example populace of the client's benefiting Gold Loan in that specific period. The outcomes should be summed up with alerts and may not be substantial for the whole populace.

Table: 01 Age and Purpose of Borrowing Gold Loan

Age	Purpose of Borrowing Gold Loan						P-Value
	Meeting Medical Expenses	Consumption Smoothing	Purchase of Household Assets	Educational Needs	To Repay Previous Assets	Others	
Less than 30years	0	0	0	20	40	60	0.00
31yrs-40years	60	0	20	0	0	20	
41yrs-50years	0	20	0	60	20	0	
above 50 years	40	20	20	0	0	0	
Total	100	40	40	80	60	80	
Chi-Square value	319.51						

Source: Primary Data

if we observe $\chi^2 = \sum \frac{(O-E)^2}{E}$ table, the purpose of gold loans based on age groups, as we took a survey in Vizianagaram, less than 30 years' group people borrowing a loan to repay previous assets, 31 years to 40 years' groups are taking loans for meeting medical expenses, 41 to 50 years' group

are taking for educational needs and above 50 years to meet the medical expenses.

Chi- Square:

Chi-Square value is 319.51

Degree of Freedom= 24

P-value <0.000.

significant level is 5%. There is relationship between Age and the purpose of borrowing gold loan.

Table: 2 Respondent Occupation and Purpose of borrowing Gold Loan

Occupation	Purpose of Borrowing Gold Loan						P-Value
	Meeting Medical Expenses	Consumption Smoothing	Purchase of Household Assets	Educational Needs	To Repay Previous Assets	Others	
Agriculture	20	0	0	20	0	0	0.000
Industrialist	20	0	0	20	20	20	
Government	0	0	0	20	0	20	
Business	0	0	20	0	20	20	
Servant Maid	40	20	0	20	0	0	
Daily Worker	0	0	20	0	0	0	
Others	20	20	0	0	20	20	
Total	100	40	40	80	60	80	
Chi-Square value	259.61						

Source: Primary Data

The above table indicates occupation wise borrowings borrowing purpose, maximum occupants are borrowing money in terms of the gold loan for medical expenses and educational needs and other purposes, here chi-Square test has been tested to know the relationship between Occupation and the purpose of borrowing gold loans.

Chi-Square value is 259.61

Degree of Freedom =30

P-value <0.000

significant level is 5%. there is significant relationship between Occupation and the purpose of borrowing gold loan.

Table:3 Relationship between Age and Duration of loan

Age	Duration of Loan					P-Value
	Less than 3 months	3-6 months	6-9 months	9-12 months	Within 2 years	
Less than 30years	20	40	20	20	20	0.000
31yrs-40years	0	20	0	60	20	
41yrs-50years	20	20	0	20	40	
above 50 years	20	0	20	0	40	
Total	60	80	40	100	120	

Source: Primary Data

if we observe the above table, the purpose of gold loans based on age groups, as we took a survey in Vizianagaram, maximum people have taken gold for long run need, the above table indicates like maximum householder loan durations are 2 years and 9 to 12 months' duration plans, Pearson Chi-Square value: 94.61, Degree of Freedom = 12 P-value <0.000 Significant level is 5%. there is relationship between Age and Duration of Loan.

SUGGESTIONS

1. The loan amount can be limited and regulated by RBI.
2. The indigenous bankers, pawnbrokers can be brought into regulations.
3. The gold loans institutions may obtain a copy of the PAN Card in all the loan proposals exceeding rupees two lakhs to strengthen the mechanism of KYC.
4. The documentation has to be standardized with all required details and legal requirements.

CONCLUSION

From the study, it tends to be presumed that the interest for gold as a venture is picking up force among customers, the speculation design shows that over the most recent three months' gold was a significant venture shelter for buyers depicts the non-hazard taking conduct of purchasers. 'Cost' is the most significant factor among customers when choosing to purchase gold. It is fascinating to take note of that gold is bought in a greater amount when the cost is cut down. This clarifies gold costs delicate at low costs however it is obtuse toward cost increment, As the speculation design is expanded it is treated as liquidity for any crisis purpose of all degrees of pay of individuals. This finding has a ton of suggestions when specialists plan strategies to control the utilization of gold. The gold loan must be restricted and directed by the Reserve bank of India and the country banks must be checked by the council. As one side India is moving towards the venture and the other moving towards the noteworthiness of that

advantage. A cost uncaring client isn't affected by the cost of an item when choosing whether or not to buy it. This study is a somewhat extraordinary instance of purchaser conduct. Individuals will in general purchase gold paying little heed to its cost since it is a fundamental ware; an exorbitant basic ware rather than the Indian Finance Minister's interpretation of gold that it is an expensive insignificant ware.

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